

**CITY OF WAHPETON, IOWA
INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2020**

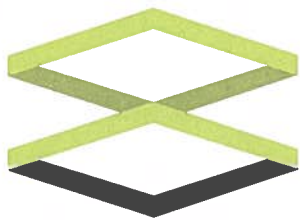
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CITY OF WAHPETON, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>	
		Before <u>January 2020</u>	After <u>January 1, 2020</u>
Phil Johnson	Mayor	January 2020	January 2022
Tom Rierson	Mayor Pro-Tem	January 2022	January 2022
Harold Prior	Council Member	January 2022	January 2022
Bradley H. Jones	Council Member	January 2020	January 2025
Jack Jones	Council Member	January 2020	
Holly Mead	Council Member		January 2025
LeAnn Blau	Council Member	January 2022	January 2022
Bonnie Tielbur	Clerk/Treasurer	Indefinite	Indefinite
Don Hemphill	Attorney	Indefinite	Indefinite



WINTHER STAVE & CO | LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

www.winther-stave.com

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Officials of the City of Wahpeton, Iowa (City):

We have performed the procedures listed in the attached schedule, which were established at Iowa Code Chapter 11.6 to provide oversight of certain Iowa cities, on the selected financial and accounting records and related information of the City of Wahpeton for the year ended June 30, 2020 including procedures related to the City's compliance with certain Code of Iowa requirements. City of Wahpeton management, which agreed to the performance of the procedures performed, is responsible for the selected financial and accounting records and related information of the City and for compliance with statutory requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

A detailed list of the procedures we performed, when applicable, is provided in the attached schedule. Based on the performance of the procedures listed, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed in the attached schedule.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the selected financial and accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to the selected financial and accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

Winther, Stave & Co., LLP

December 31, 2020
Spencer, Iowa

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF WAHPETON

DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2019 THROUGH JUNE 30, 2020

- (A) Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. However, we noted one individual generally has control over most aspects of financial transactions from inception to completion.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Approval of Transfers - We noted a transfer between funds on January 31, 2020 was not approved by Council resolution.

Recommendation - We recommend all transfers be approved by a Council resolution containing the information required by Iowa Administrative Code Section 545-2.1.

SCHEDULE OF AGREED-UPON PROCEDURES PERFORMED

CITY OF WAHPETON
GENERAL PROCEDURES

- A. Minutes:
1. Read minutes for each fiscal year ended.
 2. Select four (4) meetings during the year being examined and determine whether:
 - a. Minutes were properly signed as required by Chapter 380.7 of the Code of Iowa.
 - b. Meetings were preceded by proper notice. (Chapter 21.4 of the Code of Iowa).
 - c. The minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.
 - d. The passage or ordinances, amendments or resolutions were by a majority vote of all the members of the City Council rather than a majority vote of a quorum of the City Council as required by Chapter 380.4 of the Code of Iowa.
 - e. Minutes document the City Council followed proper proceedings for any closed sessions in accordance with Chapter 21.5 of the Code of Iowa:
 - i. The session was closed by affirmative roll call vote of at least two-thirds of the members.
 - ii. The specific exemption under Chapter 21.5 of the Code of Iowa was identified.
 - iii. Final action was taken in open session.
 - f. Minutes were published (or posted) within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa and included:
 - i. Total disbursements from each fund.
 - ii. A list of all claims allowed (including the reason for the claim).
 - iii. A summary of all receipts.
 - iv. A summary of ordinances or amendments adopted.
 - g. Determine that a complete text or summary of adopted ordinances/amendments was published in accordance with Chapter 380.7(3) of the Code of Iowa.
- B. Obtain copy of City's June 30 financial statement(s) and/or reports.
- C. Obtain a listing of the surety bond coverage for all officials and employees required by Chapters 64.13 and 64.15 of the Code of Iowa.
- D. Internal Control:
1. Request the City Clerk complete an internal control checklist (ICC).
 2. Discuss with City Clerk the City's internal control procedures and processes documented in the completed ICC, including separately maintained records, if any.
 3. Document findings identified.
- E. Inquire of the City's management about whether it is aware of actual or suspected fraud or any allegations (e.g. communications from employees or others).
- F. Immediately contact the Manager/Partner if fraud or embezzlement is suspected. Ensure the appropriate officials are notified after contacting the Manager/Partner. Chapter 11.6 of the Code of Iowa requires a CPA firm and the City to notify the Auditor of State immediately regarding any suspected embezzlement, theft, or other significant financial irregularities. If federal funds are involved, the appropriate U.S. Regional Inspector General should be notified.

CITY OF WAHPETON

CASH AND INVESTMENTS PROCEDURES

- A. Observe cash on hand, if any.
- B. Obtain one (1) monthly Clerk's report provided to the City Council. Determine the report foots and trace ending fund balances to the general ledger. Determine report contains all transaction classes and beginning and ending fund balances.
- C. Cash In Bank and Investments:
 - 1. Inquire whether bank reconciliations for all bank and investment accounts are performed monthly and are reconciled to total fund balances for all funds.
 - 2. Inquire whether bank reconciliations are reviewed by an independent person.
 - 3. Obtain bank reconciliations for two (2) months and perform the following:
 - a. Agree reconciling items other than outstanding checks to supporting documentation.
 - b. Recalculate the bank reconciliation(s).
 - c. Not used.
 - d. Obtain a list of outstanding checks at the end of the selected month(s). Determine the list of outstanding checks includes check number, amount and date written for each listed check and the listed outstanding checks subsequently cleared the bank.
 - e. Trace reconciled balance for selected months to general ledger account balances and to monthly reports provided to the City Council.
 - 4. If the City does not prepare bank reconciliations, perform a reconciliation for at least one month.
 - 5. Inquire whether the unclaimed property report per Chapter 556.1(12) of the Code of Iowa has been submitted to the State Treasurer annually before November 1 as required by Chapter 556.11 of the Code of Iowa.
 - 6. Obtain a copy of the current depository resolution and inquire whether the depository resolution includes all depositories used by the City and has been approved as required by Chapter 12C.2 of the Code of Iowa.
 - 7. Obtain a copy of the City's adopted written investment policy as required by the provisions of Chapter 12B.10B of the Code of Iowa.
 - 8. Obtain a schedule of investment transactions and balances for the same two (2) months (selected in procedure 3 above) and trace applicable investment balances to the bank reconciliations.
 - 9. Determine investments held at the end of the selected months were allowed by the City's adopted investment policy and statutory provisions of Chapter 12B.10 of the Code of Iowa, as applicable.

CITY OF WAHPETON

LONG-TERM DEBT PROCEDURES

- A. Inquire whether long-term debt exists (bonds, notes, lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements, local option sales tax debt).
 - 1. Inquire whether the debt is accounted for accurately.
 - 2. Determine general obligation debt payments were recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.
- B. Issuance of Debt:
 - 1. Read authorization in Minutes for any debt issuances during the year.
 - 2. Obtain documentation of procedures for bonds or notes sold during the current year and determine compliance with Chapter 75, 384, and 403.9 of the Code of Iowa.
 - 3. Determine debt proceeds were recorded in the City's general ledger and trace proceeds to cash receipts record and bank statement.
- C. For current issuances, determine if the City has established written procedures to monitor compliance with the arbitrage yield restrictions and rebate requirements under Section 148 of the Federal Internal Revenue Service Rules and obtain documentation of procedures.

CITY OF WAHPETON
FUND BALANCE PROCEDURES

- A. Inquire whether the City is using fund accounting and each fund is properly classified in accordance with the City Finance Committee's recommended Uniform Chart of Accounts (COA).
- B. Determine and document the financial information provided to the City Council monthly. Determine whether the information provided includes:
 - 1. A City Clerk's report showing receipts, disbursements, transfers, and balances for each fund.
 - 2. Comparison of actual disbursements to budget by function.
- C. For enterprise funds with revenue bonds/notes and deficit balances, inquire if there is a net earnings violation.
- D. Determine if deficits exist in other funds.
- E. Inquire whether projects are appropriately accounted for in separate capital projects accounts.
- F. Inspect journal entries and/or other adjustments made directly to the general ledger:
 - 1. Select two journal entries and determine whether:
 - a. The journal entries/adjustments are supported by documentation.
 - b. The journal entries/adjustments are approved by an independent person and there is documented evidence of the approval.
- G. For the Annual Financial Report (AFR) for the most recent fiscal year ended:
 - 1. Compare AFR to City's general ledger to determine if the following amounts agree:
 - a. Beginning and ending fund balances.
 - b. Road Use Tax transactions reported in the Special Revenue fund.
 - c. Total receipts and disbursements.
 - d. Judgmentally select three receipt items and three disbursement items from the detail pages to determine if these are supported by the City's records.
- H. Transfers:
 - 1. Obtain a list of all fund transfers during the year.
 - 2. Select two transfers and agree to supporting documentation.
 - 3. Determine transfers were recorded in the general ledger in the intended fund.
 - 4. Trace transfers made to an approved fund transfer resolution.

CITY OF WAHPETON
RECEIPTS PROCEDURES

- A. Inquire whether the City is using the Uniform Chart of Accounts (COA) to classify receipts in the general ledger.
- B. For one month during the fiscal year, reconcile general ledger receipts to deposits per the bank statement and discuss with client the possibility of undeposited receipts.
 - 1. If records are available, compare the deposit slips, cash, and checks with City ledger reports of cash and checks recorded.
 - 2. Inspect voided receipts for independent review.
- C. Property Tax:
 - 1. Observe that electronic deposit of twelve monthly property tax payments during the year are listed on bank statements.
 - 2. Trace one month's property tax collections to general ledger posting.
 - 3. Total property tax collection for the fiscal year and compare the total to the final budget.
- D. Governmental Revenue:
 - 1. Obtain copy of payments from State departments and obtain from client a reconciliation of amounts with the general ledger.
- E. Enterprise/Ambulance Revenues (Water, Sewer, Electric, Ambulance, etc.):
 - 1. Obtain a copy of a year-end list of delinquent accounts.
 - 2. Obtain a copy of one monthly reconciliation of billings, collections, and delinquent accounts.
 - a. If not available, compare total amounts billed per billings register to amounts deposited in the bank account in following month.
 - b. If available:
 - 1) Agree total billings to billings register and collections to amounts deposited in the bank account.
 - 2) Not used.
 - 3. Obtain listing of all City officials' accounts (including the Utility Clerk's account). For Utility Clerk and one other official, trace billing from a selected month to collection/deposit in the bank account.
- F. General:
 - 1. Obtain receipts detail for miscellaneous receipts during one month of fiscal year and agree to supporting documentation.
 - 2. Obtain deposit tickets for one month and list the amounts of currency deposited by types of receipts received in currency.
- G. Local Option Sales tax (LOST):
 - 1. Obtain a copy of the ballot authorizing the local option tax.
 - 2. Inquire whether local option sales tax receipts were expended as required by local ballot provisions.
 - 3. Inquire whether the City is tracking individually the allocated unspent balance in accordance with the local ballot provisions.
- H. Inquire whether voter approved levies, as noted on the Adoption of Budget and Certification of City Taxes, were properly authorized in accordance with Chapter 384.12 of the Code of Iowa.

CITY OF WAHPETON

DISBURSEMENTS PROCEDURES

- A. Obtain a schedule of all related party transactions with officials or employees for the fiscal year and inquire whether transactions were entered into in compliance with Chapter 362.5 of the Code of Iowa.
- B. Obtain disbursement journal or detail for miscellaneous disbursements during one month of fiscal year and agree to supporting documentation.
- C. From a list of all cancelled checks/images:
 - 1. Request a list of all checks to City personnel (non-payroll), occasional or one-time vendors, and "Cash", and inspect checks payable to the City Clerk and other personnel authorized to issue/sign checks.
 - a. Total amount and frequency of inspected checks.
 - b. Trace inspected checks to supporting documentation.
 - 2. Select five (5) consecutive checks including ACH payments from alternating months and agree:
 - a. The disbursement to supporting documentation. If not supported, inquire as to the purpose of the disbursement.
 - b. The amount and payee on the check to the general ledger posting.
 - c. Disbursement to authorization by the City Council.
 - d. Credit card transactions to approval and supporting documentation.
 - e. Disbursement to function classification in COA.
 - f. The disbursement to documentation as to how the expenditure meets the test of public purpose, if any.
- D. Inspect all bank statements for erasures/alterations.
- E. If canceled checks are not received with bank statements, determine whether both the front and back of electronic check images are received as required by Chapter 554D.114(5) of the Code of Iowa.
- F. Inquire whether the City applied for and received sales tax refunds on completed projects unless an exemption certificate was issued by the City for the contractor as required by Chapter 423.3(80)(b) of the Code of Iowa.
- G. Budgets:
 - 1. Determine the annual budget and amendments, if any, were properly authorized and certified, including whether the notice of public hearing for the original budget and any amendments was properly published in accordance with Chapters 384.16(3) and 384.18(2) of the Code of Iowa:
 - a. Determine the notice of public hearing was posted or published at least 10 days and not more than 20 days prior to the hearing date.
 - b. Determine the tax levy and disbursements adopted are not greater than amounts posted/published.
 - 2. Obtain a schedule of disbursements by function and compare with the budget or amended budget.

CITY OF WAHPETON
PAYROLL PROCEDURES

- A. Select five (5) payroll transactions from throughout the year to determine:
 - 1. Authorization for gross pay or hourly rate by City Council.
 - 2. Approval of hours worked is documented.
 - 3. The number of hours paid per the payroll journal agrees to hours worked per approved timesheets (for hourly employees).
- B. City Clerk and/or Payroll Clerk Pay:
 - 1. If salaried, reconcile the approved salary for the City Clerk to the City Council approved salary.
 - 2. If hourly, test one selected paycheck for the City Clerk to determine the hourly rate paid agrees to the Council approved hourly rate.
- C. Obtain documentation showing wage increases are approved by the City Council as an hourly rate or salary and not just a percentage increase.
- D. Inspect copies of Forms 941, W-2, and 1099 filed with the IRS.